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MT LEGISLATIVE HISTORY

Chapter 34 1986

Bill (H) 35 S _____ Original bill & hist. ___C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	June 24	✓C	Hearing Date(s)	June 28	✓C
	June 25	✓C		_____	___C
	_____	___C		_____	___C
	_____	___C		_____	___C
Date Out	June 25	✓C		June 28	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

HOUSE BILL NO. 35

INTRODUCED BY MENAHAN, QUILICI, KITSELMAN, JACK MOORE, KEATING, KEENAN, DEVLIN, HALLIGAN, SHAW, DANIELS

IN THE HOUSE

June 19, 1986	Introduced and referred to Committee on Taxation.
June 26, 1986	Committee recommend bill do pass as amended. Report adopted.
	Bill printed and placed on members' desks.
June 27, 1986	Second reading, do pass as amended.
	Third reading, passed.
	Transmitted to Senate.

IN THE SENATE

June 27, 1986	Introduced and referred to Committee on Taxation.
June 28, 1986	Committee recommend bill be concurred in. Report adopted.
	Second reading, concurred in.
	Third reading, concurred in. Ayes, 50; Noes, 0.
	Returned to House.

IN THE HOUSE

June 28, 1986	Received from Senate.
	Sent to enrolling.

June 30, 1986

On motion, taken from enrolling and referred to second reading.

Second reading, do pass as amended.

Third reading, passed.

Transmitted to Senate.

IN THE SENATE

June 30, 1986

Second reading, concurred in.

Third reading, concurred in. Ayes, 48; Noes, 0.

Returned to House.

IN THE HOUSE

July 1, 1986

Received from Senate.

Sent to enrolling.

Reported correctly enrolled.

INTRODUCED BY House BILL NO. 35 Moore
Mercer Lucht Ritter
Keating Keenan Stirling Kellogs Mace

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A NEW CLASS EIGHTEEN PROPERTY FOR NONPRODUCTIVE PATENTED MINING CLAIMS OUTSIDE THE LIMITS OF AN INCORPORATED CITY OR TOWN; VALUING THAT PROPERTY AT THE PRICE PAID THE UNITED STATES; TAXING SUCH PROPERTY AT 50 PERCENT OF VALUE; AMENDING SECTION 15-8-111, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

WHEREAS, in 1978 mining claims were taxed at "the price paid to the United States . . ."; and

WHEREAS, in 1979 Montana law was changed to tax mining claims as any other property; and

WHEREAS, in 1985 Montana law was further changed to require proof of $1,500 in agricultural income before a parcel of property could be classified as agricultural; and

WHEREAS, most mining claims are in mountainous, remote terrain that is unfit for agriculture; and

WHEREAS, owners of mining claims are receiving assessment notices increasing the valuation of their property as much as 600%; and

WHEREAS, mining claims were valued at a minimal amount under the philosophy that once they began producing, the owner would pay proceeds taxes; and

WHEREAS, the current revaluation will discourage production because owners will not be able to pay the taxes.

THEREFORE, the Legislature of the State of Montana finds it appropriate to create a separate class of property for mining claims and to tax them at a different tax rate.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Class eighteen property -- description -- taxable percentage. (1) Class eighteen property includes all nonproductive patented mining claims outside the limits of an incorporated city or town held by an owner for the ultimate purpose of developing the mineral interests on the property.

(2) Improvements to class eighteen property that would not disqualify the parcel from designation as class eighteen property are taxed as otherwise provided in this title, including that portion of the land upon which such improvements are located and which is reasonably required for the use of such improvements.

(3) Class eighteen property must be valued at the price paid the United States therefor and is taxed at 50% of its value.

NEW SECTION. Section 2. Application for classification as class eighteen property. A person applying

INTRODUCED BILL
HB 35

for classification of property as class eighteen property shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(1) the fact that the mining claim is not presently being used for mining purposes but will be in the future;

(2) that the mineral interests of the mining claim have not been depleted; and

(3) such other information as is relevant to the applicant's eligibility.

Section 3. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds, including but not limited to aircraft and boats and all watercraft, is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department of revenue

shall prepare valuation schedules showing the average wholesale value when no national appraisal guide exists.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in 15-6-134 through 15-6-140, ~~and~~ 15-6-145 through 15-6-147, and [section 1], except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri; and

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual where the values reflect the same depreciation as those found in the official guide.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property in classes four through eleven and fifteen through ~~seventeen~~ eighteen is the percentage of market value established for each class of property in 15-6-134 through 15-6-141, ~~and~~ 15-6-145 through 15-6-147, and [section 1].

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class thirteen, are assessed at 100% of the combined appraised value of the standing timber and grazing productivity of the land when valued as timberland.

(7) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) The taxable value of all property in 15-6-131 and classes two, three, and thirteen is the percentage of assessed value established in 15-6-131(2), 15-6-132, 15-6-133, and 15-6-143 for each class of property. (Subsections (3)(a) and (3)(b) applicable to tax years

beginning after December 31, 1985--sec. 4, Ch. 463, L. 1985. Subsection (6)(d) and references in (8) to class thirteen and 15-6-143 terminate January 1, 1991--sec. 10, Ch. 681, L. 1985.)"

NEW SECTION. Section 4. Codification instruction. Sections 1 and 2 are intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15 apply to sections 1 and 2.

NEW SECTION. Section 5. Extension of authority. Any existing authority of the department of revenue to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 6. Applicability. This act applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1985.

NEW SECTION. Section 7. Effective date. This act is effective on passage and approval.

-End-

In compliance with a written request, there is hereby submitted a Fiscal Note for HB035, as introduced.

Description of Proposed Legislation:
A bill to establish a new class eighteen property for nonproductive patented mining claims outside the limits of an incorporated city or town; valuing that property at the price paid the United States; taxing such property at 50% of value; amending Section 15-8-111, MCA; and providing an applicability date and an immediate effective date.

Assumptions:
1. School foundation mill levy is 45 mills.
2. University system mill levy is 6 mills.
3. The taxable value for Montana for FY87 is $2,325,966,000.
4. The average mill levy for Montana, for all purposes except cities and towns, is 211.85 mills.
5. The taxable value of nonproductive rural mines under the current law is $2,158,696 (records on file in Property Tax Division).
6. The average per acre price paid the U.S. Government for rural mining claims is $3.75 (average of $2.50 for placer or millsite claim; $5.00 for lode claim).
7. Nonproductive mine acreage, less building sites, is 168,861 (records on file in Property Tax Division).

Fiscal Impact:

	FY87		
	Current Law	Proposed Law	Difference
University System	$ 13,955,796	$ 13,944,744	$(11,052)
School Foundation Program	104,668,470	104,585,577	(82,893)
Total Revenue	$118,624,266	$118,530,321	$(93,945)

Expenditures
Updating county records would involve additional costs for the Department of Revenue. Costs would involve personnel and benefits, forms, postage, and reprogramming county computers.

Affect on County Revenue:

	FY87		
	Current Law	Proposed Law	Difference
Property Tax	$374,131,631	$373,835,335	$ (296,296)

David L Hunter 6/24/86
BUDGET DIRECTOR DATE
Office of Budget and Program Planning

W Monahan 6/25/86
PRIMARY SPONSOR DATE

Fiscal Note for HB35, as introduced.

Forty-ninth LEGISLATIVE SESSION -- Third Special Session

COMMITTEE ON TAXATION

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CONCURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CONCURRED IN DATE
HB 14	6/28	6/28						6/28	
HB 35	6/28	6/28					6/28		
HB 38	6/27	6/27						6/27	
HB 39	6/27	6/27						6/27	
HB 44	6/28	6/28					6/28		
HJR 1	6/24	6/24, 6/27	(Tabled)				6/25		

Use a separate sheet for Senate, House bills

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE
Third Special Session

June 28, 1986

The eleventh meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe in Room 325 of the State Capitol at 8:10 am.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF HB 35: Representative Red Menahan, House District 67, was recognized as chief sponsor of the bill. He said that he was introducing the bill in behalf of those with nonproductive patent mining claims.

PROPONENTS

Mr. Gary Langley, Executive Director of the Montana Mining Association, said that the laws in 1978 valued patented mining claims at the price paid to the U.S. Government, and that now they were valued as any other property. He said that the 1985 Legislature had said that a $1,500 test must be met to qualify as agriculture land and that other land would be reappraised as suburban property. He noted the case of Margaret Reed, whose claim had changed in value from $2,121 to $315,000. He said this was not an isolated case. He said that the claims should be valued low as the proceeds are taxed and severance taxes are also paid to the state. He said that many claims are not accessible by road. He said there is no value, except under the surface, to many claims. He said they do not have houses on them. He said the bill was drafted very tightly to insure that it could not be used except in a legitamate mining claim situation. He said the bill was a good alternative to dealing with the many appeals that would result if it did not pass.

Mr. Dennis Burr, representing the Montana Taxpayers Association, said that the 1985 legislation had been the law of unintended results. He said that the federal government values the claims at $10 per acre.

Mr. Peter Antonioli, owner of mining claims, submitted his testimony in writing (Exhibit 1).

Mr. William R. Hanson, owner of patented mining claims, submitted his testimony in writing (Exhibit 2).

Ms. Jo Brunner, Montana Grange, said that they support the bill. She said it is time that various interests should be classified appropriately.

Mr. Greg Groepper, Administrator of the Property Tax Assessment Division of the Department of Revenue, said that mining claims usually have no value for anything else. He said they generally have no cabin, no house and limited access.

OPPONENTS

None were heard.

Questions from the committee were called for.

In response to a question from Senator Towe, Mr. Groepper said that qualifying land could have no other use. He said that if it had value as recreational land, it could not be classified in this way. He said if there is any gray area, the historical evidence of the land would be used in its valuation.

Senator Towe questioned the fiscal note. Mr. Greopper said that the fiscal note had been written before the amendments to the bill were made in the House committee. He said that the impact of the present bill would be small.

Senator Towe asked Mr. Antonioli if the individual owner owned the patent. Mr. Antonioli said that a patented mining claim was an instrument of the federal government.

Senator Towe asked if they would be happy with an agricultural value put back on this property. Mr. Langley responded that would be satisfactory. Senator Towe asked how that would fit with the McCallum bill. Mr. Langley said that this bill was specific to mining claims. Representative Menahan noted that many are under 20 acres and the McCallum bill deals with tracts larger than that.

MOTION: Senator Brown moved that HB 35 be concurred in. The motion carried unanimously.

Chairman Towe then brought the committee's attention to SB 24. He said that the Senate had refused to accept a report without recommendation.

FURTHER CONSIDERATION OF SB 24:

MOTION: Senator Goodover moved that the committee reconsider its action in reporting SB 24 to the Senate floor without recommendation.

The motion carried unanimously.

MOTION: Senator Goodover moved that SB 24 do pass.

MOTION: Senator Eck moved as a substitute motion that SB 24 be laid on the table.

Senators Eck, Lybeck and Towe voted yes. Senators Brown, Goodover, Hager, Halligan, Hirsch, McCallum, Neuman, Severson, Mazurek voted no. The motion failed.

TESTIMONY IN SUPPORT OF H.B. 35
JUNE 28, 1986
PETER S. ANTONIOLI

1986 represents the first time that new appraisals have been made on patented mining claims that reflect the provisions of enactments of the 1979 legislature that use the test of "productivity" or "market" as the mechanism for placing values on tracts of land for taxation purposes.

This has had a devastating impact on those owners of patented mining claims since the definition of "productivity" did not include the development and production of the mineral estate. They have seen their appraised values rise several thousand percent with an equally dramatic impact on their taxes.

As an example, a patented mining claim might have agriculture land on one side (valued at $3.75 per acre if bona fide) and forestry on the other (valued at something less than $50.00 per acre if bona fide) and find that because of the "market" test, the land on the patented mining claim is valued at from $100.00 to $5000.00 per acre.

Past legislatures have had the foresight to enact rules that the Department of Revenue must use when appraising land that is held for bona fide agriculture or forestry purposes. These rules ensure that those owners are protected from the impact of having their lands appraised for recreational or suburban tract purposes to insure that the true productive values of the land are not lost to some short term suburban or recreational benefit.

The time has come to extend this same protection to owners of patented mining claims who maintain their ownership for bona fide mineral production purposes. As agriculture and forestry represent a productive segment of Montana's economy, minerals have in the past and will also in the future contribute to that productive capacity.

Owners of patented mining claims, and the mineral industry that they represent, need your help if we are to prevent the loss of this key source of productive capacity, tax revenue and potential for jobs for the State of Montana.

The rules have been drawn so that abuse is prevented and owners of cabins or other recreational retreats are valued according to the market test. It allows those who maintain their interest in these patented mining claims for the development of the mineral estate to have the same protection you have provided to agriculture and forestry in the past to insure that the productive value of the land is not lost.

I urge your support of H.B. 35.

Thank you.

SENATE TAXATION
EXHIBIT NO. 1
DATE June 28, 1986
BILL NO. HB 35

TESTIMONY OF W. R. HANSEN

IN SUPPORT OF HOUSE BILL 35
BEFORE THE SENATE TAXATION COMMITTEE

My name is W. R. Hansen. I live in Billings and near Glasgow where I work with my father on the family farm that my Grandfather homesteaded in 1913. I urge your support for the passage of House Bill 35 which will correct an obvious inequity in the taxation of patented mining claims.

I am actively involved in exploration and development of mineral resources in Montana, and I own patented mining claims which are used for no purpose other than possible development for their mineral values.

Because of the cyclical nature of the mineral business, it is essential that claim owners be encouraged, or at least allowed to maintain possession of nonproductive claims in adverse economic times.

House Bill 35 simply allows for the taxation of patented mining claims at a level consistent with what they have been for many years instead of raising the taxes up to several thousand percent.

I URGE YOUR SUPPORT!

SENATE TAXATION
EXHIBIT NO. 2
DATE June 29, 1986
BILL NO. HB 35

STANDING COMMITTEE REPORT

JUNE 20, 19 86

MR. PRESIDENT

We, your committee on TAXATION

having had under consideration HOUSE BILL No. 35

third reading copy (blue color)

ESTABLISH CLASS 18 PROPERTY FOR MINING CLAIMS AND VALUE AT U.S. SALES PRICE

Respectfully report as follows: That HOUSE BILL No. 35

DO PASS

~~BE AMENDED~~

Senator Thomas E. Towe, Chairman.

STATUS SHEET

TAXATION COMMITTEE

___ Legislature

Bill No.	Subject matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HJR 1	To establish an estimate of the state's anticipated revenue for each year of 1986-87 biennium for purpose of achieving a balanced budget	6/18/86	Harp	6/18/86	Do Pass	6/19/86
SB 3	To remove the limitation on the amount of notes that Bd. of Examiners may issue in anticipation of revenue	6/19/86	Himsl	6/19/86	Be Concurred In	6/19/86
HB 34	To change the periodic revaluation of property from 5-year period to 10-year period	6/19/86	Devlin	6/24/86	Tabled	6/25/86
HB 35	To establish a new class 18 property for nonproductive patented mining claims outside limits of incorporated city	6/19/86	Menahan	6/24/86	Do Pass, As Amended	6/25/86
HB 38	To revise the tax rate applicable to class 15 railroad transportation property	6/20/86	M.Williams	6/24/86	Do Pass	6/24/86
HB 44	To revise the procedures for the payment of a Mt. tax or license fee under protest	6/21/86	Keenan	6/25/86	Do Pass, As Amended	6/27/86 P.M.

Form CS-32
1-79

MINUTES OF THE MEETING
TAXATION COMMITTEE
49TH LEGISLATURE
SPECIAL SESSION III
HOUSE OF REPRESENTATIVES

June 24, 1986

The third meeting of the taxation committee was called to order in room 312-1 of the capitol by chairman Gerry Devlin on the above date at 8:00 a.m.

ROLL CALL: All members were present as were Dave Bohyer, researcher for the legislative council, and Alice Omang, secretary.

CONSIDERATION OF HOUSE BILL 35: Representative Menahan stated that the purpose of this bill is to establish a new class eighteen property for nonproductive mining claims that are outside of the incorporated cities or towns.

PROPONENTS: Peter Antonioli, an owner of some patented mining claim, gave testimony in support of this bill. See exhibit 1.

Ward Shanahan, a partner in a mining operation, said that he and his partners operate patented and unpatented mining claims and a patented claim was recently assessed at $1,000 an acre and this is a twenty-acre claim that sits at 6300 feet above sea level with two ramshackled cabins that are not livable. He indicated that this is now in appeal.

Gary Langley, executive director for the Montana Mining Association, gave some history of what has happened to the classification of mining claims, going from being classed at government levels to being taxed as suburban land or subdivisions. He stated that they are not trying to protect people who have summer homes or lake shore property, but only want to receive this tax treatment for the legitimate miner.

Frank Antonioli, representing himself and the Montana Mining Company, testified that they have been actively operating for thirty years and have not sold any land nor used any land except for mining purposes. He explained that on some property they had in Silver-Bow county, they had two appraisals and the first was for $786 for 200 acres, but subsequently it was appraised at approximately $1,000 an acre and the new appraisal came in at $326,000.

George Richardson, an attorney from Butte, offered testimony in support of this bill. See exhibit 2.

Dennis Burr, representing the Montana Taxpayers' Association, said that they felt that the bill was sufficiently drawn so that they will not be allowing summer cabins and such.

Jo Bruner, representing the Montana Grange, stated that they support this bill and when the farm organizations pushed for a change in the green belt law, it was not with the intent that they do harm to other producers in the state.

David Rong, representing Plexus, Inc., informed the committee that his grandfather was a member of this same house in 1913 and they own 13 mining claims in Park county, which are at 10,000 feet altitutde where the season is extremely short. He advised that some of these claims are valued at $100 an acre and other immediately adjacent are at $150 an acre. He asked the committee to support this bill.

Margaret Reeb, owner of patented mining claims in Park county, submitted testimony as per exhibit 3.

Don Cowles, representing the Cowles Mining Company, said that he had patented mining claims along the Boulder River in Big Timber and that he was for this bill and against the classification of mining claims as suburban property. He indicated that he has paid taxes on these mining claims for 52 years

and his father paid taxes ahead of him and anyone in his right mind wouldn't pay taxes for 52 years if he didn't think that somewhere down the line there might be a bonanza or at least they might produce, so he urged the committee to pass this bill.

There were no further proponents.

OPPONENTS: Gregg Groepper, administrator for the property assessment division of the department of revenue, contended that there may be a problem with constitutionality - the provision that requires that they be taxed at the market value wherein the market value may be the price that people paid for these claims over a long period of time wherein they might have bought a claim for $10 and now, if you bought a patented mining claim, that price has gone up considerably over time, so you could have two parcels of land sitting side by side with two differing prices.

He noted that not all mining claims are in remote areas and he pointed out that out at Hauser Lake, there are a lot of sapphire mining claims there and prior to 1979, when the law was changed, it was a very convenient way to acquire recreational property. He insisted that the bill does not make a distinction between the use for mining and recreation.

There were no further opponents.

QUESTIONS ON HOUSE BILL 35: Representative Asay asked if the people with mining claims owned the land or was this public lands with a permit.

Mr. Groepper replied that he could have a patented mining claim in the city - it is an interest in the land as you do have a fee simple interest in the land and you can get a mining claim on forest service land

and that land would be exempt property and the only way the department of revenue can reach that property is if it is exclusively used by that person under which they put up a fence and "keep-out" signs.

In response to a question by Representative Asay, Mr. Groepper advised that it would be more acceptable to him to see "vacant land that is unproductive and not used for any recreational or commercial or other purposes" and there are some mining claims that are out in the country that would qualify here that have luxury homes on them.

Representative Asay noted that the statute says "market value".

Mr. Groepper responded that there are other things in the statute, i.e., a 5-year reappraisal of the land; it also requires that they can't change anybody's value at once, but they have to bring everybody up at the same time valuating everything at the same year and you have to pick a year to start with and next time around, hopefully, they will use 1987 values.

Representative Devlin asked if he believed that there are mining claims in this state that have been valued too high such as those that are in the remote areas with no houses on them, etc.

Mr. Groepper replied that he thinks that is a possibility and they have made some mistakes on some mining claims; and in some cases, they have made adjustments.

Representative Devlin asked if he (Groepper) would be willing to work with the sponsor of this bill and get something out that would take care of this problem.

Mr. Groepper answered that if they have a specific situation, they will work with that and they would be happy to work with anybody.

Chairman Devlin asked why the department did not bring in a piece of legislation that would take care of this discrepancy.

Mr. Groepper answered that this session was only to deal with the budget and when you are this late in the tax year for local government, there is very little that they can do to implement these changes without putting a pretty severe price tag on it.

Representative Harp noted that SB 431 was the green belt law and he asked how many protests has the department received statewide because of SB 431.

Mr. Groepper responded that of last Friday, they had only received notice of 837 appeals, of which there were about 100 because of the green belt law. He advised that the state tax appeal board did a survey last Friday and they indicated that they had approximately 4,000 appeals filed statewide, but they made no distinction as to how many were from the green belt law.

Representative Williams asked how many properties are assessed totally.

Mr. Groepper replied that there are 540,000 parcels of land that are subject to reappraisal and this did not count agricultural land.

In response to a question from Representative Harp, Ms. Reeb responded that she felt it is grossly unfair, as a patented mining claim in the state of Montana has more value than recreational land and she felt the committee would agree that the state needs to get the greatest revenue from mining rather than from recreation.

There were no further questions.

Representative Menahan said that there are no rules established to allow for adjustments, that the cities and towns are excluded from this bill and if they have a sapphire claim that has a summer home on it, then let it be that.

Chairman Devlin asked the sponsor to work with the researcher on this bill to see if they could come up with some proper amendments for this bill.

The hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 38: Representative Williams, house district 85, stated that this bill puts a 12% cap on class 15 property, which, at the present time, is only railroad property. He indicated that this would put the department of revenue in a better position to defend themselves with the railroad, when they make their total reappraisal beginning this year.

He advised that in 1976, the railroads paid a total tax of about $5 million and up to 1985, it was increased up to $8 to $9 million and that adjustment was made because of the increase in the true value of the railroads and also those limits were set under the 4-R act, which was passed by the federal government. He offered exhibit 3 to the committee.

PROPONENTS: There were none.

OPPONENTS: Leo Berry, representing Burlington-Northern, stated that the railroad appreciates the efforts of Representative Williams to bring the law into line with federal requirements, but they do not feel that the current bill will accomplish that.

Representative Williams noted that he asked John LaFaver to present status of the situation with the railroads.

DAILY ROLL CALL

TAXATION COMMITTEE

49th LEGISLATIVE SESSION -- 1986
Second Special

Date _____

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, Gerry, Chairman	✓		
WILLIAMS, Mel, Vice-Chairman	✓		
ABRAMS, Hugh	✓		
ASAY, Tom	✓		
COHEN, Ben	✓		
ELLISON, Orval	✓		
GILBERT, Bob	✓		
HANSON, Marian	✓		
HARRINGTON, Dan	✓	✓	
HARP, John	✓		
IVERSON, Dennis	✓		
KEENAN, Nancy	✓		
KOEHNKE, Francis	✓		
PATTERSON, John	✓		
RANEY, Bob	✓		
REAM, Bob	✓		
SANDS, Jack	✓		
SCHYE, Ted	✓		
SWITZER, Dean	✓		
ZABROCKI, Carl	✓		

HB 35
6/24/86
Peter Antonioli

TESTIMONY OF PETER S. ANTONIOLI
JUNE 24, 1986

RESTABLISHMENT OF SEPARATE CLASSIFICATION FOR PATENTED MINING CLAIMS

1986 represents the first time that new appraisals have been made on patented mining claims that reflect the provisions of enactments of the 1979 legislature that use the test of "productivity" or "market" as the mechanism for placing values on tracts of land for taxation purposes.

This has had a devastating impact on those owners of patented mining claims since the definition of "productivity" did not include the development and production of the mineral estate. They have seen their appraised values rise several thousand percent with an equally dramatic impact on their taxes.

As an example, a patented mining claim might have agriculture land on one side (valued at $3.75 per acre if bona fide) and forestry on the other (valued at something less than $50.00 per acre if bona fide) and find that because of the "market" test, the land on the patented mining claim is valued at from $100.00 to $5000.00 per acre.

Past legislatures have had the foresight to enact rules that the Department of Revenue must use when appraising land that is held for bona fide agriculture or forestry purposes. These rules ensure that those owners are protected from the impact of having their lands appraised for recreational or suburban purposes to insure that the true productive values of the land are not lost to some short term recreational benefit.

The time has come to extend this same protection to owners of patented mining claims who maintain their ownership for bona fide mineral production purposes. Agriculture and forestry represent a productive segment of Montana's economy. Minerals have in the past and will also in the future contribute to the productive capacity of Montana.

Owners of patented mining claims, and the mineral industry that they represent, need your help if we are to prevent the loss of this key source of productive capacity, tax revenue and potential for jobs for the State of Montana.

Draw the rules so that abuse cannot take place and if the owner has a cabin or other recreational retreat, value it according to the market test. For those who maintain their interest in these patented mining claims for the development of the mineral estate, however, please protect them as you have agriculture and forestry.

I urge your support of this bill.

Thank you.

(1)

HB 35
6/24/86
George Richardson

RICHARDSON & RICHARDSON P.C.

Attorneys at Law

GEORGE W. RICHARDSON

2000 HARRISON AVENUE
BUTTE, MONTANA 59701
PHONE: 406-782-3295

June 24, 1986

Honorable Committe of Taxation
Capital of Montana
Helena, Montana 59601

Dear Members:

We are having a nightmare in Silver Bow County with the extremely high and unreasonable appraisal value being placed on patented mining claims for 1986. Owners cannot pay the high taxes which will result from this, or they will face bankruptcy. Metals are so depressed in value, Butte has lost much of its taxable value with the closing down of mining. The few small gold mining ventures are stuggling without high taxes (the water shortage may put them out of business). I am both owner and representative of owners.

There is no law covering appraisal of mining claims as such. We have production taxes on Net and Gross Proceeds. Most claims by nature are barren rocky surface. The Department of Revenue needs a reasonable guideline to appraise the value of mining property. Classification should consider the soil and productive capacity and if its major use is other than being held for mining that should be considered, but not arbitrarily and without reason.

Without guidelines, mining claims in Silver Bow County were arbitrarily and unreasonably classified-erroneously-Agricultural. This is being changed and without a new classification is given an confiscatory value of about $1,000.00 per acre. I cite three claims to illustrate the inequity of these appraisals, random examples of the more than thirty appeals I now have.

Sorrel Mike Lode 1548 Sec 1,T3N R8W, 19.59 acres appraised $19,590.00- increased from $74.00 last year.

Jumper Lode 2307. Sec. 10,T3N, R7W, 12.95 acres, appraised $12,950.00- increased from $48.00 last year.

Birdie Lode, 6076, Sec. 14, T3N, R7W, 15.68 acres, appraised $15,680.00- increased from $60.00 last year.

We could live with a reasonable increase, but without guidelines the Department of Revenue has no training nor experience to appraise mining claims, which are doubly taxed anyway.The Legislature should immediately fill this void and set guidelines. Please help us survive, and thank you for your consideration.

Respectfully submitted,

G. W. Richardson

EXHIBIT 3
HB 35
June 24, 1986
Margaret Reeb

June 24, 1986

TESTIMONY ON HOUSE BILL 35
By Margaret I. Reeb
Box 301
Livingston, Montana 59047

Mr. Chairman and members of the committee: My name is Margaret Reeb, and I am the owner of patented mining claims in Park County. My family represents fifth generation ownership and taxes have been paid on these lands since the 1880's.

I strongly oppose the reclassification of patented mining claims as suburban tract lands, and urge that the legislature return them to their RIGHTFUL classification as patented mining claims under House Bill 35.

My group of patented mining claims in the NEW WORLD MINING DISTRICT of southern Park County carried a taxable valuation in 1985 of $2,121.00. The 1986 taxable valuation which unfairly names them "suburban lands" has jumped their valuation from $2,121.00 to $315,165! I believe you would agree that this kind of increase is truly beyond reason.

These patented lands lie in a valid, historically important mining district that is a valuable asset to the state of Montana. They lie in an area that extends from 7,800 feet altitude to an altitude that rises over 10,000 feet. The area is accessible only from 2 to 4 months out of the year. They do not have an improved water system, a sewage system, or electricity at the present time - nor is there even a habitable cabin on one of them - they are mining claims. At the present time they are non-income producing but they have great potential. I urge and thank our legislators for returning them to their RIGHTFUL status as patented mining claims.

VISITORS' REGISTER

TAXATION COMMITTEE

BILL NO. HB 35 DATE June 24, 1986

SPONSOR Representative Menahan

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Dan D. Sullivan	Esmeralda Partners	X	
Peter S. Antonioli	Self	X	
Frank Antonioli	Contact Mining Co. & Self	X	
Dennis Burr	Montax	X	
Mary Lang Clay	Montana Mining Assn	✓	
T. M. Robbins	ASARCO, Inc	✓	
Jon C. Crowley	Cowles Mfg. Co.	✓	
Helen Cowles	Self	✓	
Margaret Reeb	Reeb Family	✓	
David B. Rorick	Plexus Inc	✓	
Edward E. Benard	Missoula County Tax Payers	✓	
Howard K. Ellis	MT P.S.C.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

WITNESS STATEMENT

NAME WARD SHANAHAN BILL NO. HB 35

ADDRESS 917 GILBERT - HELENA DATE 6-24-85

WHOM DO YOU REPRESENT? ESMERALDA PARTNERS

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Will make oral statement

WITNESS STATEMENT

NAME PETER S. ANTONIOLI BILL NO. 35

ADDRESS P.O. BOX 791 BUTTE DATE 6/24

WHOM DO YOU REPRESENT? SELF

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Will submit written statement.

WITNESS STATEMENT

NAME Frank Antonioli BILL NO. ____

ADDRESS 334 So. Western Ave. Butte DATE 6/24/85

WHOM DO YOU REPRESENT? Butte Mining Co & Self.

SUPPORT X OPPOSE ____ AMEND ____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Will make Oral Statement

WITNESS STATEMENT

NAME DAVID B. ROVIG BILL NO. HB 35

ADDRESS 510 Petroleum Bldg Billings 59101 DATE 6/24/89

WHOM DO YOU REPRESENT? Plexus Inc

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

and oral

MINUTES OF THE MEETING
TAXATION COMMITTEE
49TH LEGISLATURE
SPECIAL SESSION III
HOUSE OF REPRESENTATIVES

June 25, 1986 P.M.

The fifth meeting of the taxation committee was called to order in room 312-1 of the capitol at 4:08 p.m. by chairman Gerry Devlin.

ROLL CALL: All members were present with the exception of Representative Iverson, who was excused.

EXECUTIVE SESSION

DISPOSITION OF HOUSE BILL 44: Chairman Devlin noted that, because there were some unanswered questions, they would not take action on this bill today, but would leave it until tomorrow.

DISPOSTION OF HOUSE BILL 35: Representative Keenan moved that this bill DO PASS. Representative Raney moved to amend this bill as per the proposed amendments in exhibit 1. He advised that this would only affect mining claims that are barren with no residential, commercial or recreational and were just being held as mining claims.

Representative Sands indicated that it was not appropriate to tax all other property at fair market value and then value this property at the price paid by the United States. He suggested that the way to solve the problem was to require that the property be valued at fair market value, but it is basically not occupied and would be valued at the same rate as agricultural grazing land and then they dropped the 50% rate to 30% and it was calculated that this would basically be the same taxable value and it would not result in a tax increase across the board, but understandably, these are rough calculations.

John LaFaver, director of the department of revenue, advised that the bill is more workable with the amendments, but they could still have two pieces of

land side by side, one is a mining claim and one is not, neither are being extensively used, and one would pay a small fraction of tax as compared to the other.

Representative Ellison commented that you can't determine what the use of land might be in the future and it is the same with him - the whole ranch might be suitable for recreation and maybe when he retires, he will sell it to a developer, but you can't determine what he will do in the future.

Representative Cohen stated that they appreciate their concerns and they tried to address those concerns, but if it turns out that this is not workable, in six months they can come back in here and let the committee know and they can adjust it then.

Representative Sands made a substitute motion to add on page 2, line 14 the words that apply on amendment #7 "or if the surface is being used for other than mining purposes and has a separate and independent value for such other purpose".

A vote was taken on the substitute motion and it carried unanimously.

A vote was taken on the original motion and it passed unanimously.

Representative Keenan moved that the bill DO PASS AS AMENDED. The motion carried unanimously.

DISPOSITION OF HOUSE BILL 45: Chairman Devlin distributed exhibit 2 to the committee. Representative Williams moved that this bill DO PASS.

Representative Harp noted that this is a new form of funding the public service commission.

DAILY ROLL CALL

TAXATION COMMITTEE

49th LEGISLATIVE SESSION -- 1986
Second Special

Date June 26, 1986
4:00 p.m.

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, Gerry, Chairman	✓		
WILLIAMS, Mel, Vice-Chairman			
ABRAMS, Hugh	✓		
ASAY, Tom	✓		
COHEN, Ben	✓		
ELLISON, Orval	✓		
GILBERT, Bob	✓		
HANSON, Marian	✓		
HARRINGTON, Dan			
HARP, John	✓		
IVERSON, Dennis			✓
KEENAN, Nancy	✓		
KOEHNKE, Francis	✓		
PATTERSON, John	✓		
RANEY, Bob	✓		
REAM, Bob	✓		
SANDS, Jack			
SCHYE, Ted			
SWITZER, Dean	✓		
ZABROCKI, Carl	✓		

STANDING COMMITTEE REPORT

6/25/86 19

Mr. Speaker: We, the committee on TAXATION

report HOUSE BILL 35

☒ do pass ☐ be concurred in ☒ as amended
☐ do not pass ☐ be not concurred in ☐ statement of intent attached

REP. DEVLIN
Chairman

ESTABLISH CLASS 18 PROPERTY FOR MINING CLAIMS AND VALUE AT U.S. SALES PRICE

1. Title, line 7.
Strike: "AT THE PRICE PAID THE UNITED STATES"
Insert: "AS IT WOULD BE VALUED AS AGRICULTURAL GRAZING LAND"

2. Title, line 8.
Strike: "50 PERCENT OF VALUE"
Insert: "THE RATE GENERALLY APPLICABLE TO CLASS FOUR PROPERTY"

3. Page 2, line 14.
Following: "property."
Insert: "Class eighteen does not include any property that is used for residential, recreational as described 70-16-301, or commercial as defined in 15-1-101, purposes, or if the surface is being used for other than mining purposes and has a separate and independent value for such other purposes."

4. Page 2, line 24.
Strike: "at the price paid the United States therefor"
Insert: "as if such land were devoted to agricultural grazing use"

5. Page 2, lines 22.
Following: "taxed at"
Strike: "50%"
Insert: "30%"

6. Page 3, line 5.
Following: "but"
Strike: "will be in the future"
Insert: "is being held for that use"

7. Page 3, lines 8 and 9.
Following: "(3)"
Strike: "is relevent to the applicant's eligibility"
Insert: "the department may require to determine an applicant's eligibility and to determine if the surface being used for other than mining purposes and has a separat and independent value for such other purposes"

First reading copy (White color)

Exhibit 1
HB 35
June 25, 1985 - AM
Rep. Ramey

PROPOSED AMENDMENTS TO HOUSE BILL NO. 35
First Reading (White) Copy

1. Title, line 7.
Strike: "AT THE PRICE PAID THE UNITED STATES"
Insert: "AS IT WOULD BE VALUED AS AGRICULTURAL GRAZING LAND"

2. Title, line 8.
Strike: "50 PERCENT OF VALUE"
Insert: "THE RATE GENERALLY APPLICABLE TO CLASS FOUR PROPERTY"

3. Page 2, line 14.
Following: "property."
Insert: "Class eighteen does not include any property that is used for residential, recreational as described in 70-16-301, or commercial as defined in 15-1-101, purposes."

4. Page 2, line 22.
Strike: "at the price paid the United States therefor"
Insert: "as if such land were devoted to agricultural grazing use"

5. Page 2, lines 22.
Following: "taxed at"
Strike: "50%"
Insert: "30%"

6. Page 3, line 5.
Following: "but"
Strike: "will be in the future"
Insert: "is being held for that use"

7. Page 3, lines 8 and 9.
Following: "(3)"
Strike: "is relevant to the applicant's eligibility"
Insert: "the department may require to determine an applicant's eligibility and to determine if the surface is being used for other than mining purposes and has a separate and independent value for such other purposes"

db/hb35-2

Amended further 0